

## Message Text

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11

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 SP-02 DOTE-00 EB-07 TRSE-00 OMB-01

COME-00 /046 W

----- 080723

R 091753Z JUL 76

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 3900

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL BELEM

AMCONSUL RECIFE

AMCONSUL SALVADOR

AMCONSUL PORTO ALEGRE

USIS/BPAO BELO HORIZONTE

UNCLAS RIO DE JANEIRO 2625

E. O. 11652: N/A

TAGS: EAIR, BR

SUBJ: TAX ON ROAD TRANSPORTATION

1. JORNAL DO BRASIL AND O GLOBO REPORTED LAST MONTH THAT GOB IS LAYING A NEW TAX ON ROAD TRANSPORTATION: (ISTR) IMPORTO SOBRE SERVICOS DE TRANSPORTES RODOVIARIO INTERMUNICIPAL E INTER-ESTADUAL DE PASSAGEIROS E CARGAS. ALTHOUGH PRESS DID NOT CARRY DECREE TEXT, WE BELIEVE THAT THEY ARE REFERRING TO IMPLEMENTATION OF DECREE-LAW 1.438 OF DECEMBER 26, 1976 WHICH EXTENDED TAX COVERAGE TO BOTH CARGO AND PASSENGER TRAFFIC RATHER THAN PASSENGER TRAFFIC SOLELY AS PREVIOUSLY LEGISLATION SPECIFIED.

2. IT APPEARS THAT ISTR WILL BE 5 PERCENT ON TOTAL TARIFF FOR PASSENGERS AND/OR FREIGHT. REVENUES FROM THIS TAX ARE DESTINED FOR NATIONAL ROAD AGENCY (DNER) AND NATIONAL DEVELOPMENT FUND. ACCORDING TO PRESS REPORTS ALL COMMERCIAL ROAD TRANSPORTATION ACTIVITY WILL PAY THIS TAX EXCEPT  
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INTRAURBAN TRANSPORT AND TRANSPORT BETWEEN TWO CITIES OF

SAME METROPOLITAN AREA.

3. THE GOVERNMENT, AT THE SAME TIME, HAS APPROVED INCREASES OF 28.47 PERCENT IN INTERSTATE PASSENGER TRANSPORT TARIFFS AND OF 20 PERCENT IN RAILROAD TARIFFS. THESE INCREASES SEEM TO BE IN CONTRADICTION OF THE GOVERNMENT'S STATED OBJECTIVE OF PROMOTING DOMESTIC TOURISM AS THEY RAISE THE COST OF INTER-CITY BUS TRANSPORTATION BY APPROXIMATELY 25 PERCENT.

4. COMMENT: THE NEW ROAD TAX AND THE TARIFF RATE INCREASES SHOULD HAVE A SIGNIFICANT INFLATIONARY IMPACT AT A TIME OF STRONG GOB ANTI-INFLATIONARY EFFORTS. BRAZIL'S TRANSPORT NET IS HEAVILY SKEWED IN FAVOR OF ROAD TRANSPORT AND AS MUCH AS 75 TO 80 PERCENT OF BRAZIL'S TOTAL CARGO IS ESTIMATED TO MOVE BY ROAD.

5. EMBASSY CONCURS THIS MESSAGE.  
DEXTER

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NNN

## Message Attributes

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